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CONGRESS OF THE UNITED STATES
JOINT ECONOMIC COMMITTEE

Representatives Reuss and Ellsworth Urge
Strengthening of Free World Economic Cooperation

Representatives Henry S. Reuss (D., Wisc.) and Robert F. Ellsworth (R., Kansas) warned today that a gradual resurgence of economic and political nationalism may be leading to economic disintegration of the free world.

The Congressmen -- both members of the Joint Economic Committee -- issued the warning and offered 12 recommendations to deal with the problems in a report to the Committee entitled "Off Dead Center: Some Proposals to Strengthen Free World Economic Cooperation." The report was released today by Committee Chairman Wright Patman. Representative Reuss is Chairman of the Committee's Subcommittee on International Exchange and Payments, and Representative Ellsworth is a member of the subcommittee.

The report was written following a trip to Western Europe in early November during which the Congressmen talked to over 60 European and American officials, businessmen and journalists on the Common Market crisis, the Kennedy round of trade negotiations, monetary reform, and the balance of payments adjustment problems.

In their bipartisan report, Representatives Reuss and Ellsworth pointed to the following signs of economic disintegration in the West:

1. The successful conclusion of the Kennedy round of trade negotiations is threatened by the deadlock in the European Economic Community arising from a dispute over the fundamental nature of that organization.
2. The outlook for early and adequate reform of the international monetary system is uncertain because of differing views of the problem and objectives among the key financial powers.
3. A growing underbrush of restrictions and controls on international payments -- largely reflecting the lack of a well-functioning balance of payments adjustment mechanism -- is leading to the economic fragmentation of the free world.
4. An inadequate level of development aid threatens intensified political instability and a continuation of unacceptably low rates of economic growth in the developing lands.
5. Weaknesses in the institutional structure for economic cooperation among the nations of the free world poses a serious obstacle to the development of closer economic integration.

The Congressmen said that a solution to the Common Market crisis which dilutes the supranatural and outward-looking character of the Community "would destroy the political and economic grounds for the original support of the Common Market by the United States." They recommended that the United States prepare a new trade negotiating strategy in that event which would enable the members of GATT to proceed with meaningful negotiations even without the Common Market or without France alone.

They also said that, "It is becoming increasingly clear that the less developed countries should share in the benefits of any new reserve creation that the industrialized countries may agree to." They recommended that the World Bank take the initiative in proposing a plan to link a new reserve creation with the provision of additional assistance to the less developed countries once the IMF and the Group of Ten tentatively agree on a new mechanism for creating additional reserves.

Their complete recommendations follow:

A. The Common Market Crisis and the Prospects for the Kennedy Round of Trade Negotiations.

1. Without becoming involved in the substance of the crisis itself, the United States should express its firm and continuing support for a solution which would enable the EEC to go forward in the form originally conceived in the Treaty of Rome.

2. The United States should continue to press the Six for a significant reduction of trade barriers in the Kennedy Round, but at the same time prepare an alternative strategy to rescue the talks from failure should one or more of the Common Market members erect a roadblock to meaningful negotiations.

In that case, the United States should ask GATT to deny the protectionist minority within the Common Market most-favored-nation treatment under article 23, while proceeding with negotiations among the other GATT members.

Should this prove unacceptable to the Common Market, the United States should ask GATT to deny the Common Market, as a unit, most-favored-nation treatment and proceed to negotiate with all other GATT members.

B. International Monetary Reform.

1. The United States should continue to give priority to eliminating the deficit in its balance of payments. At the same time, the Europeans must recognize the progress that has been made and not use our deficit as a reason to delay needed reform.

2. The United States should lose no more time in developing its own plan for reform of the international monetary

3. The United States should give consideration to arrangements providing for the conversion of sterling balances into claims on the International Monetary Fund or for a long-term loan to Britain for monetary reserve purposes.

C. The Need for a Well-Functioning Balance of Payments Adjustment Mechanism.

1. The United States should press within the OECD for the establishment of appropriate codes of good behavior by deficit and surplus countries to speed the adjustment process and the development of closer coordination of domestic economic policies among the major industrialized nations.

2. The most urgent adjustment need is for guidelines establishing the appropriate mix of domestic fiscal and monetary policies for both surplus and deficit countries under varying economic circumstances.

3. The United States should press for progress in other areas where the coordination of domestic economic policies to promote external adjustment would prove feasible, including capital movements, incomes policy and commercial policy.

D. Providing an Adequate Level of Aid to the Developing Countries.

The World Bank should take the initiative in proposing a plan to link new reserve creation with the provision of additional assistance to the less developed countries.

E. Strengthening the Free World's Institutional Means for Economic Cooperation.

1. The OECD should establish an executive commission independent of national governments and having the power to initiate proposals, make recommendations, and issue reports to the Organization as a whole.

2. The OECD should establish a parliamentary assembly composed of legislators drawn from and selected by the national legislative bodies.

3. The Council of the OECD should be elevated to ministerial rank.

A copy of the report is attached.